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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

AUG - 2 1996

Federal Communications Commission  
Office of Secretary

In the Matter of )

Federal-State )

Joint Board on Universal Service )

CC Docket No. 96-45

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**FURTHER COMMENTS OF THE PERSONAL  
COMMUNICATIONS INDUSTRY ASSOCIATION**

The Personal Communications Industry Association ("PCIA") hereby submits its further comments in response to the Commission's Public Notice in the above-captioned docket.<sup>1</sup> As described in more detail below, the Commission should incorporate the following general principles into its final universal service rules: (1) the core group of services should be as limited as possible; (2) the universal service support mechanism should be explicit and nondiscriminatory; (3) any proxy model adopted by the Commission should include broadband wireless services; and (4) wireless providers should be subject to an equitable adjustment in their contributions to the universal service fund under Section 254(d).

**I. SUMMARY**

1. In response to Question 4, the number of core services should be as limited as possible. Such a narrow group of services will allow more carriers to compete for universal

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<sup>1</sup> DA 96-1078 (July 3, 1996).

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service support by increasing the number of carriers that are technologically capable of providing these services. Further, limiting the number of core services will decrease the overall size of the universal service fund, thereby decreasing carrier contributions and lowering barriers to entry into the telecommunications market.

2. In response to Questions 26 and 70, any universal service funding scheme must be explicit and nondiscriminatory under Section 254(d). Thus, the existing combination of dial equipment minute weighting, subscriber line charge, and carrier common line charge should be eliminated, and replaced with an explicit funding mechanism. Such a mechanism might include a flat, non-traffic sensitive charge assessed either directly on all end users or indirectly on all carriers and passed through to end users.

3. In response to Question 57, in order to achieve the Commission's goals of increased competition and technological neutrality, any proxy model adopted should take into account broadband wireless services. Allowing these broadband wireless carriers to compete for universal service funding will lower the price of universal service, thereby decreasing the contributions of all telecommunications carriers and subscribers.

4. In response to Question 72, wireless providers should be eligible for a reduction in their contributions to the universal service fund under Section 254. Paging providers, for example, are low-profit margin businesses that are ineligible to receive universal service funds and already offer a low priced form of communications. Given these equitable factors, wireless carriers should be eligible for a substantial reduction in their contributions to the fund.

## II. RESPONSES TO QUESTIONS

**QUESTION 4:** What are the effects on competition if a carrier is denied universal service support because it is technically infeasible for that carrier to provide one or more of the core services?

The greater the number of core services, the lesser the number of providers that will be technically capable of providing them. Conversely, a narrow core services group will increase the number of providers capable of providing these services, thereby increasing competition for universal service funds. Limiting the number of services within the core group also reduces the overall size of the universal service fund, and each carrier's individual contribution thereto. By so decreasing the magnitude of universal service contributions, the Commission will minimize the barriers to entry into the telecommunications marketplace, thereby fostering competition.

**QUESTION 26:** If the existing high-cost support mechanism remains in place (on either a permanent or temporary basis), what modifications, if any, are required to comply with the Telecommunications Act of 1996?

The existing high-cost support mechanism -- consisting largely of the dial equipment minutes of use ("DEM") assistance program, the subscriber line charge ("SLC"), and the carrier common line ("CCL") charge -- is inconsistent with Section 254(d)'s mandate for "specific" and "nondiscriminatory" support mechanisms. Preliminarily, these programs and charges are not specifically denominated as going towards universal service, and are therefore implicit support mechanisms, in express violation of Section 254(d).

Further, these programs and sources of funding discriminate against interstate rate payers in two important respects. First, the interstate DEM is increased (*i.e.*, weighted) for

local exchange carrier ("LEC") study areas with fewer than 50,000 lines, so that a greater amount of local switching costs can be recovered from interstate rate payers.<sup>2</sup> Second, although LECs recover the SLC directly from their customers, because this charge is capped,<sup>3</sup> it is insufficient to compensate LECs for all of their local loop costs. The remainder of these costs are recovered from the CCL charge, which is assessed on a per-minute basis for interexchange traffic, and a flat-rate basis for local traffic.<sup>4</sup> Thus, the CCL charge discriminates against interstate rate payers.

In order to make the universal service program "specific" and "nondiscriminatory," the Commission could implement a plan under which "all costs associated with facilities dedicated to the use of a single subscriber [are] recovered through a flat, non-traffic sensitive charge assessed on end users."<sup>5</sup> Alternatively, a flat, non-traffic sensitive charge could be assessed on carriers, and carriers then should be permitted to recover this charge from their customers, either as a distinct line item on customer bills, or as part of the customer's service charge.

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<sup>2</sup> *Amendment of Part 36 of the Commission's Rules and Establishment of a Joint Board*, CC Docket 80-286, ¶ 9 (July 15, 1995).

<sup>3</sup> The SLC is capped at \$3.50 per month for residential customers and single line business customers, and \$6.50 per month for multiline business customers. *Federal State Joint Board On Universal Service*, CC Docket 96-45, ¶ 112 (Mar. 8, 1996) ("*Original Notice*").

<sup>4</sup> *Original Notice*, ¶ 112

<sup>5</sup> *Id.*, ¶ 113.

QUESTION 57:      Should the BCM be modified to include non-wireline services? If wireless technology proves less costly than wireline facilities, should projected costs be capped at the level predicted for use of wireless technology?

Among the Commission's overall goals in this proceeding is the promulgation of rules that are pro-competitive and technologically neutral <sup>6</sup>. Therefore, should the Commission decide to implement a proxy model -- such as the Benchmark Cost Model ("BCM") -- for reimbursement, the model should be consistent with these goals. By modifying the BCM to include non-wireline services, broadband commercial mobile radio service ("CMRS") providers will be able to compete with wireline providers to provide telecommunications to high-cost areas, thereby lowering the cost of such service. Thus, in this case, the goals of increased competition and technological neutrality are complementary, and can be furthered by modifying any proxy models to include broadband wireless services.

QUESTION 70:      If a portion of the CCL charge represents a contribution to the recovery of loop costs, please identify and discuss alternatives to the CCL charge for recovery of those costs from all interstate telecommunications service providers (e.g., bulk billing, flat rate/per-line charge).

As described in more detail in its answer to Question 26, PCIA believes that the CCL charge is an implicit and discriminatory means of funding universal service, in contravention of Section 254(d). PCIA therefore is open to the use of a flat, non-traffic sensitive charge assessed either directly on all end users or indirectly on all carriers and passed through to end users.

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<sup>6</sup> *Id.*, ¶ 66.

QUESTION 72:      Section 254(d) of the 1996 Act provides that the Commission may exempt carriers from contributing to the support of universal service if their contribution would be "de minimis." The conference report indicates that "[t]he conferees intend that this authority would only be used in cases where the administrative cost of collecting contributions from a carrier or carriers would exceed the contribution that carrier would otherwise have to make under the formula for contributions selected by the Commission." What levels of administrative costs should be expected per carrier under the various methods that have been proposed for funding (e.g., gross revenues, revenues net of payments to other carriers, retail revenues, etc.)?

In implementing Section 254(d), the Commission should take into account equitable factors, including the size of the telecommunications carrier from which universal service contributions are sought, the profit margin of the carrier, and whether the carrier in question is eligible to receive universal service funds. For example, because paging carriers are generally low profit margin businesses, and -- because they do not provide real-time, two-way, interactive voice services -- are ineligible for universal service funds, the Commission should consider making them eligible for a reduction in the amount of contribution to be collected from them under Section 254(d). Further, paging is the least expensive form of communication, and any increase in the price of this service due to universal service contributions might price paging out of the reach of many customers. Such a result would be contrary to Section 254's command to promote the universal availability of telecommunication services

Given these types of factors, even if the administrative costs of collecting universal service fees from wireless providers are not prohibitively high, the Commission should contemplate using its equitable discretion to reduce the fees levied on wireless providers.

Respectfully submitted,

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August 2, 1996

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